

**REPORT OF THE AUDIT OF THE
OLDHAM COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2002**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE OLDHAM COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2002**

The Auditor of Public Accounts has completed the Oldham County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$1,881,898 from the beginning of the year, resulting in a cash surplus of \$10,861,636 as of June 30, 2002.

Debt Obligations:

Total bonded debt principal as of June 30, 2002, was \$7,630,000. Future collections of \$11,038,098 are needed over the next 20 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$4,905,000 as of June 30, 2002. Future principal and interest payments of \$9,118,628 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
OLDHAM COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	12
NOTES TO FINANCIAL STATEMENTS	16
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	27
SCHEDULE OF OPERATING REVENUE	31
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	35
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	39
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Debra Eucker, Commissioner, Department of Law, Revenue Cabinet

Honorable John W. Black, Former Oldham County Judge/Executive

Honorable Mary Kinser, Oldham County Judge/Executive

Members of the Oldham County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Oldham County, Kentucky, as of June 30, 2002, the statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Oldham County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Oldham County Sanitation District. Those financial statements were audited by other auditors whose report has furnished to us, and our opinion, insofar as it relates to the amounts included for the Oldham County Sanitation District, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Oldham County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2002, of Oldham County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
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In accordance with Government Auditing Standards, we have also issued our report dated September 2, 2003, on our consideration of Oldham County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Oldham County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 2, 2003

OLDHAM COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

John W. Black	County Judge/Executive
Robert Deibel	Magistrate
Paula Gish	Magistrate
Mary Ellen Kinser	Magistrate
Rick Rash	Magistrate
Bill Tucker	Magistrate
Wayne Theiss	Magistrate
Hartley Winters	Magistrate
Duane Murner	Magistrate

Other Elected Officials:

John Fendley	County Attorney
Mike Simpson	Jailer
Ann B. Brown	County Clerk
Linda Mason	Circuit Court Clerk
Steve Sparrow	Sheriff
Jim McWilliams	Property Valuation Administrator
Brett Donner	Coroner

Appointed Personnel:

Elaine Collett	County Treasurer
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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

OLDHAM COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Debt Service</u>
<u>Assets and Other Resources</u>		
<u>Assets</u>		
Cash and Cash Equivalents	\$ 10,685,606	\$ 155,148
Accounts Receivable		
Net Capital Assets		
Total Assets	<u>\$ 10,685,606</u>	<u>\$ 155,148</u>
<u>Other Resources</u>		
Amounts to Be Provided in Future Years for:		
Capital Lease (Note 4)	\$ 4,905,000	\$
Bond Payments (Note 5)	<u>3,170,000</u>	<u>4,460,000</u>
Total Other Resources	<u>\$ 8,075,000</u>	<u>\$ 4,460,000</u>
Total Assets and Other Resources	<u><u>\$ 18,760,606</u></u>	<u><u>\$ 4,615,148</u></u>

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND EQUITY
 ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

<u>Enterprise Fund Type</u>	<u>Totals (Memorandum Only) Primary Government</u>		<u>Totals (Memorandum Only) Reporting Entity</u>
<u>Jail Canteen Enterprise</u>		<u>Component Unit</u>	
\$ 20,885	\$ 10,861,639	\$ 2,074,110	\$ 12,935,749
		64,536	64,536
		4,974,281	4,974,281
<u>\$ 20,885</u>	<u>\$ 10,861,639</u>	<u>\$ 7,112,927</u>	<u>\$ 17,974,566</u>
\$	\$ 4,905,000	\$	\$ 4,905,000
	7,630,000		7,630,000
<u>\$ 0</u>	<u>\$ 12,535,000</u>	<u>\$ 0</u>	<u>12,535,000</u>
<u>\$ 20,885</u>	<u>\$ 23,396,639</u>	<u>\$ 7,112,927</u>	<u>\$ 30,509,566</u>

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND EQUITY
 ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Debt Service</u>
<u>Liabilities and Equity</u>		
<u>Liabilities</u>		
Accounts Payable	\$	\$
Payroll Taxes Payable		
Notes Payable Due in One Year		
Long Term Debt		
Capital Lease (Note 4)	4,905,000	
Bonds: (Note 5)		
Series 1994		1,915,000
Series 1997		2,545,000
Series 2002	3,170,000	
Payroll Revolving Account Cash Deficit	346	
Retirement Account	3	
	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 8,075,349</u>	<u>\$ 4,460,000</u>
<u>Equity</u>		
Fund Balances:		
Reserved	\$ 25,241	\$ 155,148
Unreserved	10,660,016	
	<u> </u>	<u> </u>
Total Equity	<u>\$ 10,685,257</u>	<u>\$ 155,148</u>
Total Liabilities and Equity	<u><u>\$ 18,760,606</u></u>	<u><u>\$ 4,615,148</u></u>

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND EQUITY
 ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

<u>Enterprise Fund Type</u>	<u>(Memorandum Only) Primary Government</u>		<u>(Memorandum Only) Reporting Entity</u>
<u>Jail Canteen</u>		<u>Component Unit</u>	
\$	\$	\$ 55,094	\$ 55,094
		1,754	1,754
		30,000	30,000
		3,940,000	3,940,000
	4,905,000		4,905,000
	1,915,000		1,915,000
	2,545,000		2,545,000
	3,170,000		3,170,000
	346		346
	3		3
<u>\$ 0</u>	<u>\$ 12,535,349</u>	<u>\$ 4,026,848</u>	<u>\$ 16,562,197</u>
\$ 20,885	\$ 201,274	\$	\$ 201,274
	10,660,016	3,086,079	13,746,095
<u>\$ 20,885</u>	<u>\$ 10,861,290</u>	<u>\$ 3,086,079</u>	<u>13,947,369</u>
<u>\$ 20,885</u>	<u>\$ 23,396,639</u>	<u>\$ 7,112,927</u>	<u>\$ 30,509,566</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

OLDHAM COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 6,966,290	\$ 1,769,807	\$ 1,027,859	\$ 506,763
Receipts - Jail Canteen				
Other Financing Sources:				
Transfers In	105,364		155,000	
General Obligation Bonds	3,170,000			
Total Cash Receipts	<u>\$ 10,241,654</u>	<u>\$ 1,769,807</u>	<u>\$ 1,182,859</u>	<u>\$ 506,763</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 6,558,044	\$ 1,642,306	\$ 1,202,977	\$ 455,917
Expenditures - Jail Canteen				
Other Financing Uses:				
Transfers Out	483,015			
Sheriff Vehicles Purchased	128,124			
Sewer Construction/Acquisition	974,304			
Bonds:				
Principal Paid				
Interest Paid				
Cost of Issuance	84,947			
KACO Leasing Trust-Principal	70,000			
Total Cash Disbursements	<u>\$ 8,298,434</u>	<u>\$ 1,642,306</u>	<u>\$ 1,202,977</u>	<u>\$ 455,917</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 1,943,220	\$ 127,501	\$ (20,118)	\$ 50,846
Cash Balance - July 1, 2001*	<u>6,253,153</u>	<u>2,283,473</u>	<u>22,202</u>	<u>85</u>
Cash Balance - June 30, 2002*	<u>\$ 8,196,373</u>	<u>\$ 2,410,974</u>	<u>\$ 2,084</u>	<u>\$ 50,931</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY
 STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

<u>General Fund Type</u>	
<u>Central Dispatch Fund</u>	<u>Local Emergency Planning Committee Fund</u>
\$ 598,359	\$ 2,128
80,000	
<u>\$ 678,359</u>	<u>\$ 2,128</u>
\$ 685,318	\$ 522
<u>\$ 685,318</u>	<u>\$ 522</u>
\$ (6,959)	\$ 1,606
<u>23,956</u>	<u>6,638</u>
<u>\$ 16,997</u>	<u>\$ 8,244</u>

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY
 STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

	<u>Capital Projects Fund Type</u>	
	Senior Citizen Building Fund	Buckner Sewer System Fund
<u>Cash Receipts</u>		
Schedule of Operating Revenue	\$	\$
Receipts - Jail Canteen		
Other Financing Sources:		
Transfers In		
General Obligation Bonds		
Total Cash Receipts	<u>\$ 0</u>	<u>\$ 0</u>
<u>Cash Disbursements</u>		
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,500	\$ 220,368
Expenditures - Jail Canteen		
Other Financing Uses:		
Transfers Out		105,364
Sheriff Vehicles Purchased		
Sewer Construction/Acquisition		
Bonds:		
Principal Paid		
Interest Paid		
Cost of Issuance		
KACO Leasing Trust-Principal		
Total Cash Disbursements	<u>\$ 1,500</u>	<u>\$ 325,732</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (1,500)	\$ (325,732)
Cash Balance - July 1, 2001*	<u>1,500</u>	<u>325,732</u>
Cash Balance - June 30, 2002*	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2002
(Continued)

Debt Service Fund Type	Enterprise Fund Type		Component Unit	
Public Facilities Construction Corporation Fund	Jail Canteen	Totals (Memorandum Only) Primary Government	Oldham County Sanitation District	Totals (Memorandum Only) Reporting Entity
\$ 325,874	\$ 89,421	\$ 11,197,080 89,421	\$ 1,209,044	\$ 12,406,124 89,421
248,015		588,379 3,170,000		588,379 3,170,000
<u>\$ 573,889</u>	<u>\$ 89,421</u>	<u>\$ 15,044,880</u>	<u>\$ 1,209,044</u>	<u>\$ 16,253,924</u>
\$	\$ 90,006	\$ 10,766,952 90,006	\$ 983,947	\$ 11,750,899 90,006
		588,379 128,124 974,304		588,379 128,124 974,304
215,000		215,000		215,000
245,270		245,270		245,270
		84,947 70,000		84,947 70,000
<u>\$ 460,270</u>	<u>\$ 90,006</u>	<u>\$ 13,162,982</u>	<u>\$ 983,947</u>	<u>\$ 14,146,929</u>
\$ 113,619	\$ (585)	\$ 1,881,898	\$ 225,097	\$ 2,106,995
41,529	21,470	8,979,738	2,860,982	11,840,720
<u>\$ 155,148</u>	<u>\$ 20,885</u>	<u>\$ 10,861,636</u>	<u>\$ 3,086,079</u>	<u>\$ 13,947,715</u>

The accompanying notes are an integral part of the financial statements.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Oldham County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Oldham County Public Facilities Construction Corporation as part of the reporting entity. Also included, as a discretely presented component unit is the Oldham County Sanitation District, which was audited by other auditors.

1) Oldham County Public Facilities Construction Corporation

The Public Facilities Construction Corporation (PFCC) was created for the financing and renovation of the Oldham County Courthouse and financing and construction of a recreation center. Fiscal Court has the authority to appoint a voting majority of the PFCC's board of directors and PFCC was deemed a component unit of the County. Financial information for the Public Facilities Construction Corporation is blended within Oldham County's financial statements.

2) Oldham County Sanitation District

The Oldham County Sanitation District (the District) was created and exists pursuant to the provisions of Kentucky Revised Statutes 67.033(c)(h) and (r) and 67.715(2) and by the Fiscal Court. The District was created with the mission to provide a coordinated design and operational solution for wastewater service in Oldham County. The Fiscal Court appoints a majority of the District's board and the District was deemed a component unit of Oldham County Fiscal Court. The Oldham County Sanitation District is included as a discretely presented component unit on Oldham County's financial statements and was audited by other auditors.

Additional - Oldham County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Oldham County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Oldham County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Oldham County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Central Dispatch Fund, and the Local Emergency Planning Committee Fund.

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Facilities Construction Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

3) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Senior Citizen Building Fund and the Buckner Sewer System Fund of the Fiscal Court are reported as Capital Projects Fund Types.

4) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Oldham County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, deferred revenue, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets are not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Oldham County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Facilities Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Oldham County Fiscal Court: Oldham County Ambulance Service and the Oldham County Public Library.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

OLDHAM COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 3. Deposits and Investments (Continued)

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

Types of Investments	Category			Carrying Amount	Market Value
	1	2	3		
Federal Money					
Market Funds	\$ 4,490,445	\$ 0	\$ 0	\$ 4,490,445	\$ 4,490,445

Note 4. Capital Lease Agreements

A. Fiscal Court Building

On June 8, 1992, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$1,381,000 at 5.49 percent for work on the Oldham County Fiscal Court Building. The lease was refinanced on May 7, 2001. The lease term for this agreement is 11 years at an interest rate of 4.2% with the balance to be paid in full January 20, 2012. The principal balance on the lease was \$875,000 as of June 30, 2002. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 41,228	\$ 73,000
2004	37,604	76,000
2005	33,832	79,000
2006	29,915	82,000
2007	25,851	85,000
2008-2012	62,288	480,000
Totals	\$ 230,718	\$ 875,000

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 4. Capital Lease Agreements (Continued)

B. Sanitation District

On June 14, 2001, the fiscal court on behalf of the Oldham County Sanitation District entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$4,000,000 at an interest rate of 4.94% for acquisition of various local wastewater treatment facilities, renovation thereto, and the professional and administrative fees incurred in this acquisition. The lease term is for 30 years with the balance to be paid in full on January 20, 2031. The Oldham County Sanitation District makes the principal and interest payments to National City Bank (the trustee). The principal balance on the lease was \$3,940,000 as of June 30, 2002. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 219,964	\$ 65,000
2004	216,310	65,000
2005	212,539	70,000
2006	208,486	75,000
2007	204,270	75,000
2008-2012	951,927	435,000
2013-2017	814,365	560,000
2018-2022	634,125	725,000
2023-2027	404,324	930,000
2028-2031	113,741	940,000
Totals	<u>\$ 3,980,051</u>	<u>\$ 3,940,000</u>

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 4. Capital Lease Agreements (Continued)

C. Sheriff's Vehicles

On June 20, 2001, the fiscal court on behalf of the Oldham County Sheriff entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$130,000 at an interest rate of 3.25% for the acquisition of 6 new police vehicles. The lease term is for 3 years with balance to be paid in full on January 20, 2004. The Oldham County Sheriff makes the principal and interest payments to National City Bank (the trustee). Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 2,089	\$ 45,000
2004	770	45,000
Totals	<u>\$ 2,859</u>	<u>\$ 90,000</u>

Note 5. Long-Term Debt

A. Courthouse

Oldham County Public Facilities Construction Corporation issued first mortgage revenue bonds, series 1994, dated August 1, 1994, to fund renovation of the Oldham County Courthouse. These bonds were issued at 5.50%, 5.70%, and 5.75%, and will be retired by August 1, 2014. Interest payments are due on February 1 interest and principal August 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 106,270	\$ 110,000
2004	99,857	115,000
2005	93,160	120,000
2006	86,035	130,000
2007	78,483	135,000
2008-2012	263,592	805,000
2013-2014	38,238	500,000
Totals	<u>\$ 765,635</u>	<u>\$ 1,915,000</u>

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 5. Long-Term Debt (Continued)

B. Recreation Center

Oldham County Public Facilities Construction Corporation issued first mortgage revenue bonds, series 1997, dated June 1, 1997, to fund the acquisition, construction, and equipping of a recreation center and related facilities. These bonds were issued at varying interest rates ranging from 3.90% to 5.25%, and will be retired by June 1, 2017. Interest payments are due on December 1 and interest and principal June 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 127,955	\$ 120,000
2004	122,615	125,000
2005	116,990	130,000
2006	111,010	135,000
2007	104,665	145,000
2008-2012	410,033	830,000
2013-2017	172,987	1,060,000
Totals	<u>\$ 1,166,255</u>	<u>\$ 2,545,000</u>

Total bonds outstanding of the Oldham County Public Facilities Construction Corporation were \$4,460,000.

C. Fiscal Court Building

Oldham County Fiscal Court issued general obligation bonds of 3,170,000, series 2002, dated June 20, 2002, to finance a portion of the costs of acquiring, constructing and equipping additions to the county courthouse annex (the fiscal court building). These bonds were issued at varying interest rates ranging from 2.250% to 4.7%, and will be retired by June 1, 2022. Interest payments are due on December 1 and interest and principal June 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 127,266	\$ 110,000
2004	124,791	115,000
2005	122,204	120,000
2006	119,504	120,000
2007	115,904	125,000
2008-2012	510,453	690,000
2013-2017	359,289	840,000
2018-2022	151,945	1,050,000
Totals	<u>\$ 1,631,356</u>	<u>\$ 3,170,000</u>

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 6. Oldham County Police Forfeiture Account

The Oldham County Police have a forfeiture account, which also receives donations. This money is used to purchase equipment and other law enforcement items. The forfeiture account had receipts of \$14,640, expenditures of \$16,000, and an ending balance of \$15,733 as of June 30, 2002.

Note 7. Prior Year Cash Balance

The cash balance in the General Fund at July 1, 2001, was \$6,253,153. The balance reported in prior year audit at June 30, 2001, was \$4,059,409. The difference of \$2,193,744 was due to amounts in two trustee accounts on two leases: Sheriff's Vehicles (\$127,934) and Sanitation District (\$2,185,000) that were not reported in the prior fiscal year.

Note 8. Bond Escrow Accounts

The Oldham County Planning and Zoning hold bonds in escrow until a contractor finishes a project. The fiscal court is entitled to the interest earned on the bonds. The bonds are held in certificates of deposits and in a money market account. The amount of bonds (including interest) held at June 30, 2002 was \$144,468.

Note 9. Insurance

For the fiscal year ended June 30, 2002, Oldham County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

OLDHAM COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 3,728,935	\$ 6,966,290	\$ 3,237,355
Road and Bridge Fund	(228,111)	1,769,807	1,997,918
Jail Fund	1,222,637	1,027,859	(194,778)
Local Government Economic Assistance Fund	674,329	506,763	(167,566)
Central Dispatch Fund	668,248	598,359	(69,889)
Local Emergency Planning Committee Fund	(1,638)	2,128	3,766
<u>Capital Project Fund Type</u>			
Buckner Sewer System	<u>68</u>	<u></u>	<u>(68)</u>
Totals	<u>\$ 6,064,468</u>	<u>\$ 10,871,206</u>	<u>\$ 4,806,738</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 6,064,468
Add: Budgeted Prior Year Surplus			6,604,206
Less: Other Financing Uses			<u>(318,015)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 12,350,659</u>

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SCHEDULE OF OPERATING REVENUE

OLDHAM COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	Totals (Memorandum Only)	GOVERNMENTAL FUND TYPES	
		General Fund Type	Debt Service Fund Type
Taxes	\$ 5,131,690	\$ 5,131,690	\$
Excess Fees	364,112	364,112	
Licenses and Permits	731,928	731,928	
Intergovernmental Revenues	3,781,264	3,455,764	325,500
Charges for Services	728,229	728,229	
Miscellaneous Revenues	206,236	206,236	
Interest Earned	253,621	253,247	374
Total Operating Revenue	<u>\$ 11,197,080</u>	<u>\$ 10,871,206</u>	<u>\$ 325,874</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

OLDHAM COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,024,075	\$ 1,814,889	\$ 209,186
Protection to Persons and Property	3,584,151	3,485,455	98,696
General Health and Sanitation	421,819	379,369	42,450
Social Services	25,000	21,550	3,450
Recreation and Culture	838,130	754,018	84,112
Roads	1,936,664	1,532,271	404,393
Debt Service	350,322	36,072	314,250
Capital Projects	1,352,348	1,064,200	288,148
Administration	1,490,850	1,457,260	33,590
Total Operating Budget - General Fund Type	\$ 12,023,359	\$ 10,545,084	\$ 1,478,275
Other Financing Uses:			
Transfers to Public Property			
Construction Corporation	248,015	248,015	
Capital Lease Agreement-			
Principal on Lease	70,000	70,000	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 12,341,374</u>	<u>\$ 10,863,099</u>	<u>\$ 1,478,275</u>

Expenditure Categories	CAPITAL PROJECTS FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Health and Sanitation	325,800	220,368	105,432
Capital Projects	1,500	1,500	
Total Operating Budget - Capital Projects Fund Type	<u>\$ 327,300</u>	<u>\$ 221,868</u>	<u>\$ 105,432</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Debra Eucker, Commissioner, Department of Law, Revenue Cabinet
Honorable John W. Black, Former Oldham County Judge/Executive
Honorable Mary Kinser, Oldham County Judge/Executive
Members of the Oldham County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Oldham County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 2, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Oldham County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oldham County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 2, 2003

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

OLDHAM COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2002

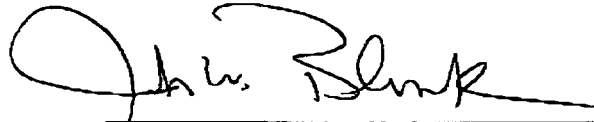
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

OLDHAM COUNTY FISCAL COURT

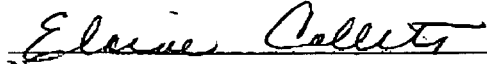
For The Fiscal Year Ended June 30, 2002

The Oldham County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

Former County Judge/Executive



Name

County Treasurer

